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UNCLAS PRETORIA 000710

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SUBJECT: SOUTH AFRICA SELECTS FINAL SNO SHAREHOLDER

REFTEL: 04 PRETORIA 5041

04 PRETORIA 4312
04 PRETORIA 3984
03 PRETORIA 6384

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1. (U) SUMMARY. Minister of Communications Ivy Matsepe-Casaburri announced that she has awarded the remaining 26 percent in South Africa's Second Network Operator (SNO) to VSNL (Videsh Sanchar Nigam Limited), a telecommunications firm within India's Tata Group. The six SNO shareholders must now finalize a shareholder agreement and business plan before the Independent Communications Authority of South Africa (ICASA) can issue the SNO a license to operate. At the moment, stakeholders are optimistic that this may happen by mid-2005. VSNL's inclusion in the SNO and its acquisition of Tyco Global Network may also benefit U.S.-based Tyco Telecommunications' bid to build the East Africa Submarine System (EASSy). END SUMMARY.

1. (U) Minister of Communications Ivy Matsepe-Casaburri announced February 11 that she had awarded the remaining 26 percent in the Second Network Operator (SNO) to VSNL (Videsh Sanchar Nigam Limited), a telecommunications firm within India's Tata Group. The Minister made her announcement on the same day of President Thabo Mbeki's State of the Nation address in which he berated South Africa's fixed-line telecommunications firm (Telkom) for offering rates that are as much as 10 times those of developed (OECD) countries.

2. (U) VSNL has undergone a gradual privatization since the early 1990s with the Indian government currently controlling 26 percent of VSNL and 45 percent of the Tata Group. VSNL operates a network of 32 earth stations, 12 international voice gateways, six operational submarine cable systems and 22 Internet "points-of-presence." For the fiscal year ended March 2004, VSNL had a net worth of \$1.1 billion and a net profit of \$84 million. VSNL is also in the final stages of acquiring the Tyco Global Network from U.S.-based Tyco Telecommunications, one of the world's most advanced and extensive submarine cable systems. VSNL is represented in South Africa by Tata Group's South Africa subsidiary, Tata Africa Holdings SA (PTY) Limited.

3. (U) The SNO shareholder structure is as follows:

Tata Africa Holdings (VSNL)	26 percent
Nexus Connexion	19 percent
Transtel	15 percent
Eskom Communications	15 percent
Communitel	12.5 percent
TwoConsortium	12.5 percent

4. (SBU) The shareholders must now finalize a shareholder agreement and business plan before the Independent Communications Authority of South Africa (ICASA) can issue the SNO a license to operate. At the moment, stakeholders are optimistic that this may happen by mid-2005. ICASA Chairman Mandla Langa told reporters that the SNO should be licensed by June. Transtel CEO and SNO Spokesman Karl Socikwa said that Tata Africa was given early access to the work done by Transtel and Eskom in order to expedite the technical liaising between the shareholders. A source at Nexus Connexion, the SNO's empowerment partner with legal action pending against the Minister of Communications, told Econoff that Nexus is pleased with the selection of Tata and said that a shareholding agreement is likely sooner rather than later.

5. (U) VSNL's inclusion in the SNO and its acquisition of Tyco Global Network may benefit U.S.-based Tyco Telecommunications' bid to build the East Africa Submarine System (EASSy), an underwater fiber optic telecommunications system connecting eastern African nations to the global telecommunications network.

